

Financial Statements of

LABRADOR TECHNOLOGIES INC.

Three months ended January 31, 2011 and 2010

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors, KPMG LLP, have not reviewed the unaudited financial statements for the three month period ended January 31, 2011.

Notice to the Reader of the Interim Financial Statements

The interim financial statements of Labrador Technologies Inc., consisting of the interim balance sheet, the interim statement of operations and deficit, and the interim statement of cash flows for the three month period ended January 31, 2011 are the responsibility of the Corporation's management.

The interim financial statements have been prepared by management and include the appropriate accounting principles, judgments and estimates necessary to prepare these interim financial statements in accordance with Canadian generally accepted accounting principles. In addition, these interim financial statements have been reviewed and have been approved by the Corporation's Audit Committee and Board of Directors.

H. Ronald Sterne
President & Chief Executive Officer
Labrador Technologies Inc.

Jeffrey Howe
Chief Financial Officer
Labrador Technologies Inc.

March 31, 2011

LABRADOR TECHNOLOGIES INC.

Balance Sheets
(Unaudited)

	January 31 2011	October 31 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,416	\$ 7,481
Accounts receivable	2,674	1,769
Prepaid expenses	2,500	—
	21,590	9,250
Property and equipment	23,355	25,965
Total Assets	\$ 44,945	\$ 35,215
Liabilities and Shareholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 771,319	\$ 697,716
Loans payable (note 6)	173,000	64,000
Deferred revenue (note 7)	155,791	176,066
Total Liabilities	1,100,110	937,782
Shareholders' equity (deficit):		
Common shares (note 3)	8,889,148	8,884,352
Share purchase warrants (note 3)	55,100	55,100
Contributed surplus (note 3)	771,240	771,240
Deficit	(10,770,653)	(10,613,259)
Total Shareholders' Equity (Deficit)	(1,055,165)	(902,567)
Going concern (note 1)		
Subsequent events (note 8)		
Total Liabilities and Shareholders' Equity	\$ 44,945	\$ 35,215

See accompanying notes to financial statements.

On behalf of the Board:

H. Ronald Sterne
Director

George Wilson
Director

LABRADOR TECHNOLOGIES INC.

Statements of Operations and Deficit
(Unaudited)

	Three months ended	
	January 31 2011	January 31 2010
Revenue		
License fees	3,333	—
Data modeling	20,942	—
	24,275	—
Expenses:		
General and administrative	88,492	165,155
Computer and related costs	49,956	115,214
Marketing and sales	29,912	33,187
Stock-based compensation (note 3)	—	1,138
Amortization	2,610	2,820
Interest expense	10,699	4,065
	181,669	321,579
Net loss and comprehensive loss	(157,394)	(321,579)
Deficit, at beginning of period	(10,613,259)	(9,824,387)
Deficit, at end of period	\$ (10,770,653)	\$ (10,145,966)
Net loss per share:		
Basic and diluted	\$ (0.01)	\$ (0.01)

See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Statements of Cash Flows
(Unaudited)

	Three months ended	
	January 31 2011	January 31 2010
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Cash provided by (used in):		
Operating activities:		
Net loss	\$ (157,394)	\$ (321,579)
Items not involving cash:		
Stock-based compensation	—	1,138
Amortization	2,610	2,820
Shares for services performed	4,796	1,577
	<hr/>	<hr/>
	(149,988)	(316,044)
Changes in non-cash working capital (note 4)	49,923	313,320
	<hr/>	<hr/>
	(100,065)	(2,724)
Financing activities:		
Subscriptions received	—	50,000
Proceeds from loan advances (note 6)	109,000	—
Loan repayments	—	(22,601)
	<hr/>	<hr/>
	109,000	27,399
Increase in cash and cash equivalents	8,935	24,675
Cash and cash equivalents, beginning of period	7,481	9,418
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 16,416	\$ 34,093
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Cash and cash equivalents consist of:		
Cash	16,416	34,093
	<hr/>	<hr/>
	\$ 16,416	\$ 34,093
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See accompanying notes to financial statements.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Three months ended January 31, 2011 and 2010

Labrador Technologies Inc. (the "Corporation") is engaged in the research and development and marketing of data retrieval technology for customers.

1. Going concern:

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

Over the course of the past few years, and since the Corporation's non-compete with Qbyte Services (now owned by P2 Energy Solutions) expired on September 30, 2005, the Company has been raising capital in order to fund the development of its web-based oil and gas data retrieval software, eTrievers. The Corporation has been successful at raising over \$4.1 million from the period August 1, 2005 through March 31, 2011. Included in this amount and subsequent to January 31, 2011, the company announced and successfully closed a private placement for \$750,000 in gross proceeds. (see Note 8).

There is significant doubt about the appropriateness of using the going concern assumption because the Corporation's ability to continue as a going concern is dependent upon its ability to generate sufficient cash to fund its strategic business plan. To date, the Corporation has had minimal revenue and is now, in the short term, dependent on the raising of sufficient capital and/or generating sufficient revenue from the licensing of its eTrievers software, which is expected to occur primarily through the Corporation's agreement with IHS Inc. (see details below), to realize its assets and discharge its obligations, including the working capital deficiency of \$1.1 million as at January 31, 2011 (2010 - \$1.0 million). At the period end, the Corporation had cash of \$16,416, no long term debt and a working capital deficiency of \$1,078,520. During the period ended January 31, 2011, the Corporation incurred a net loss of \$ 157,394 (2010 - \$321,579) and used cash in operations totaling \$100,065 (2010 – used \$2,724). As of March 31, 2011, the Corporation had cash of \$477,327 and a working capital deficiency of \$467,772.

While management and the Board of Directors are considering all possible options in order to have sufficient cash to discharge its obligations in the normal course of operations for the foreseeable future, future operations are dependent upon the raising of sufficient operating capital in the short-term and sales of its eTrievers software. In addition, future operations in the longer term will be dependent on the development and marketing of the Corporation's web-based data retrieval technology and the corresponding generation of future cash flows, and the raising of capital, as required.

On November 10, 2009, the Corporation announced a global strategic agreement with IHS Inc. ("IHS") to distribute Labrador's eTrievers web application bundled with IHS Canadian Oil and Gas Critical Information. In connection with this agreement, the Corporation received a US\$240,000 payment for data modeling and maintenance services to be provided to IHS. (note 7)

In the circumstances, management believes the going concern assumption is still appropriate for these financial statements but is contingent upon the successful raising of sufficient capital in the future, as required. This assumption will be reviewed on an ongoing basis by management and the Board of Directors. If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, reported revenues and expenses and the balance sheet classifications used.

LABRADOR TECHNOLOGIES INC.

Notes to Financial Statements
(Unaudited)

Three months ended January 31, 2011 and 2010

2. Significant accounting policies:

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. In the preparation of these financial statements, management has made estimates and assumptions that affect the recorded amounts of certain of the Corporation's assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include valuation of stock based compensation and share purchase warrants. However, actual results could differ from the estimates made.

The unaudited interim financial statements do not include all of the disclosure normally provided in annual financial statements and accordingly they should be read in conjunction with the audited financial statements, including the notes thereto, as at and for the year ended October 31, 2010. The unaudited interim financial statements follow the same significant accounting policies and methods of application as the most recent audited financial statements of the Corporation as at and for the year ended October 31, 2010.

3. Share capital:

(a) Authorized:

Unlimited preferred shares, none of which were issued at January 31, 2011, Series A and Series B; and Unlimited common shares.

(b) Common shares issued:

	Three months ended		Year ended	
	January 31, 2011		October 31, 2010	
Common shares	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	36,978,175	\$ 8,884,352	30,717,969	\$ 8,359,320
Sale of units	—	—	3,600,000	360,000
Allocation of warrants	—	—	—	(55,100)
Shares for services performed	47,962	4,796	121,317	12,132
Debt to equity conversion	—	—	2,538,889	224,000
Finder fees shares issued	—	—	—	—
Share issue costs	—	—	—	(16,000)
Balance, end of period	37,026,137	\$ 8,889,148	36,978,175	\$ 8,884,352

On March 17, 2010, the Corporation announced the terms of a private placement of up to 5,000,000 units at a price of \$0.10 per unit with an expected closing date of on or before May 17, 2010. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Corporation at \$0.20 per share and expires two years from the closing date of the private placement. At the closing date of May 17, 2010, the Corporation had received signed subscription agreements for 3,600,000 units and had received \$360,000 in proceeds.

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As at March 17, 2010, certain creditors of the Company had provided written consent to convert \$215,000 of aggregate liabilities into common shares at a price of \$0.09 per common share. The detail of the \$215,000 by creditor category is as follows: employees \$100,000 (recorded in accounts payable and accrued liabilities), consultants \$90,000 (recorded in accounts payable and accrued liabilities), and directors \$25,000 (recorded in loans payable). As a result of this conversion, 2,388,889 new common shares were issued and working capital deficiency was reduced by \$215,000. TSX approval was received for this transaction and shares were issued to the creditors on May 17, 2010. In addition, on September 13, 2010, a certain creditor of the Company provided written consent to convert \$9,000 of aggregate liabilities into common shares. TSX approval was received for this transaction on September 20, 2010 and 150,000 shares were issued to the creditor on September 22, 2010.

(c) Share purchase warrants issued:

Warrants	Three months ended January 31, 2011		Year ended October 31, 2010	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of period	1,800,000	\$ 55,100	2,581,875	\$ 14,820
Sale of units	—	—	1,800,000	55,100
Expired warrants	—	—	(2,581,875)	(14,820)
Balance, end of period	1,800,000	\$ 55,100	1,800,000	\$ 55,100

(d) Stock option plan:

The Corporation has a stock option plan for its directors, officers, consultants and employees. Details of the stock options outstanding and exercisable under this plan were as follows:

	Number	Exercise price	Weighted average exercise price
Outstanding at October 31, 2010	1,160,000	\$ 0.10 – 0.50	\$ 0.13
Expired	(60,000)	0.50	—
Outstanding at January 31, 2011	1,100,000	\$ 0.10 – 0.35	\$ 0.12

Exercise price	Number of Options	Weighted average remaining contractual life (months)
\$ 0.10	1,000,000	14
0.35	100,000	2
Stock options outstanding at January 31, 2011	1,100,000	13
Exercisable at January 31, 2011	1,100,000	13

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(e) Stock-based compensation:

During the three month period ended January 31, 2011, no stock options (2010 – nil) were granted to employees, officers, consultants and directors of the Corporation.

(f) Contributed surplus:

	January 31, 2011	Oct 31, 2010
Beginning of period	\$ 771,240	\$ 755,193
Stock-based compensation	—	1,227
Expired warrants	—	14,820
End of period	\$ 771,240	\$ 771,240

(g) Per share amounts:

The weighted average number of common shares outstanding during the three month period ended January 31, 2011 was 37,024,556 (2010 – 30,728,711).

There was no dilutive effect of options and warrants for the three month periods ended January 31, 2011 and 2010.

4. Supplemental cash flow disclosure:

Changes in non-cash working capital are as follows:

	January 31 2011	January 31 2010
Accounts receivable and prepaid expenses	\$ (3,405)	\$ (2,383)
Accounts payable and accrued liabilities	73,603	4,399
Deferred revenue	(20,275)	251,304
	\$ 49,923	\$ 313,320

5. Financial instruments and financial risk management:

As at January 31, 2011 and 2010, the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying value due to the relatively short periods to maturity of these instruments.

Credit risk:

Credit risk is the risk of financial loss resulting from a customer or counter party to a financial instrument failing to meet its obligation to the Corporation.

Management believes the Corporation's credit risk is minimal at this time as the accounts receivable consist of GST receivable only. As the Corporation increases its sales volume over the coming months, the credit risk will be analyzed and updated as needed.

Interest rate risk:

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Interest rate risk is the risk that fair value of a financial instrument or its cash flows will fluctuate as a result of changes in interest rate.

The loans payable bear interest at a fixed rate of 12% thus the cash flows are not subject to interest rate risk. If market conditions deteriorate further, this rate may appear unreasonable under those circumstances. Management believes this risk to be minimal as the loans that have been advanced are considered short term in nature.

6. Loans payable and related party transaction:

During the period, three directors advanced separate loans to the Corporation totalling \$59,000. These loans bear interest at 12% per year, are unsecured and due on demand. A further loan was advanced to the Corporation by a shareholder for \$50,000 under the same terms.

As at January 31, 2011, the fair value of these loans and transactions approximated their carrying values due to the short term nature of these items.

7. Deferred revenue:

On November 10, 2009, the Corporation announced a global strategic agreement with IHS Inc. ("IHS") to distribute Labrador's eTriever web application bundled with IHS Canadian Oil and Gas Critical Information. In connection with this agreement, the Corporation received a US\$240,000 payment for data modeling services to ensure eTriever compatibility with the IHS Canadian Oil and Gas data. This amount is being deferred and recognized ratably over the three year term of the agreement as there is an on-going commitment to provide product upgrades and maintenance.

8. Subsequent Events

Subsequent to the period end, two directors advanced loans to the Corporation for a total of \$11,000. These loan bears interest at 12% per year, are unsecured and due on demand. Director loans totalling \$15,000 were repaid after the period end.

On February 22, 2011, the Corporation announced a non-brokered private placement for up to 15,000,000 common shares at a price of \$0.05 per Common Share, for proceeds up to \$750,000. The Offering received all necessary regulatory approvals. LTI paid a finder's fee of 8% of gross proceeds, consisting of \$30,000 cash and 600,000 common shares, to qualified persons pursuant to available securities laws exemptions. On March 29, 2011, the Corporation closed the private placement having received signed Subscriptions Agreements for 15,000,000 common shares and \$750,000 in proceeds.

LABRADOR TECHNOLOGIES INC.

Corporate Information

For further information on Labrador Technologies Inc., please visit our website at www.labradortechnologies.com.

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Board of Directors

H. Ronald Sterne*, Calgary, Alberta
George A. Wilson*, Q.C., Toronto, Ontario
Jeffrey Howe*, Toronto, Ontario

*- members of the Audit Committee

Executives and Officers

H. Ronald Sterne, President & Chief Executive Officer
Jeffrey Howe, Chief Financial Officer

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Chartered Accountants
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Stock Exchange

The TSX Venture Exchange
Trading Symbol: LTX